

COUNTY OF MILWAUKEE

Interoffice Memorandum

DATE: December 17, 2015

TO: Milwaukee County Board Supervisors

FROM: Supervisor Michael Mayo, Sr., Chairman, Pension Study Commission

SUBJECT: **Review of Proposed Amendments to Chapter 201.24 (7.1) and (7.2) of the Milwaukee County General Ordinances relating to optional forms of benefits (File No. 15-759)**

The Pension Study Commission (PSC) is charged with issuing a written report on the actuarial effect, cost implications and desirability of proposed changes to the pension system. At its meeting on December 17, 2015, the PSC reviewed File No. 15-759, which outlines proposed amendments to Chapter 201.24 (7.1) and (7.2) of the Milwaukee County General Ordinances (M.C.G.O.) to change the optional forms of benefits available to members of the Employees' Retirement System of the County of Milwaukee ("ERS"). The changes were approved and recommended for adoption by the Pension Board of ERS. The PSC reviewed a resolution/ordinance that was unanimously recommended for adoption by the Committee on Finance, Personnel and Audit at its meeting on December 10, 2015.

The PSC heard testimony from Pension Board attorneys related to the optional forms of pension benefit available to members of the ERS, which indicated that the amendments would do three things:

1. The amendments eliminate what is referred to as "Option 1", which is a historical form of benefit that is rarely used currently, but the use of which could increase in the future and could create administrative concerns for ERS.
2. The amendments codify into ordinances the remaining six (6) currently existing and specified optional forms of benefit.
3. The amendments eliminate the Pension Board's existing discretionary authority to approve any other form of benefit, referred to as "Option 7."

As noted in 1 and 3, the ordinance amendments would eliminate two optional forms of benefit:

Section 7.1 Option 1

This option is defined as: "A reduced pension payable during his life, with the provision that the balance in his accumulated membership account as of the date of his retirement over the payments he has received that are attributable to that account, disregarding any post-retirement pension adjustment, shall be paid to his beneficiary."

Section 7.2 Option 7

This option is a "catch-all" option based on an existing ordinance provision which grants the Pension Board the authority to approve any other actuarially-equivalent form of benefit beyond the specified standard, or "pre-approved," benefits.

If the proposed amendments are approved, and Options 1 and 7 are consequently eliminated, the following specified options would continue to be available for selection by ERS members at retirement:

- MAX benefit for the member's life with no survivor benefit;
- 100% monthly survivor benefit after the member's death;
- 75% monthly survivor benefit after the member's death;
- 50% monthly survivor benefit after the member's death;
- 25% monthly survivor benefit after the member's death;
- Ten-year certain monthly benefit.

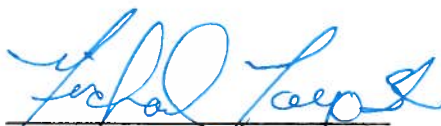
These six forms of benefit are the options that the overwhelming majority of members have selected over the past couple of decades, according to the Pension Board attorneys.

The PSC reviewed a written report that provided greater detail regarding the specific proposed changes to the optional forms of pension benefits and the rationale for the Pension Board's requests.

The PSC also reviewed the written actuarial report dated September 17, 2015, and heard testimony from Mr. Larry Langer of Buck Consultants Inc., the firm retained by the Pension Board and the County to provide actuarial services related to the ERS. Mr. Langer's report and testimony indicated that the "options that are proposed to be eliminated are actuarially equivalent to the normal form of benefit. . . . Since there is no "cost" (positive or negative) to ERS when these options are elected, there is no cost to the ERS associated with no longer offering them." Therefore, "the proposed ordinance amendments would have an immaterial impact on the actuarial cost of the ERS."

Based on the information presented and contained in File No. 15-759, the Pension Study Commission voted (Vote 4-0) to recommend that the County Board adopt the proposed changes to the pension ordinances as outlined in the resolution adopted December 10, 2015, by the Committee on Finance, Personnel, and Audit.

Respectfully submitted,



Michael Mayo, Sr., Chairman
Pension Study Commission

cc: County Executive Abele
Paul Bargren, Corporation Counsel
Mark Grady, Deputy Corporation Counsel
Marian Ninneman, Director, Retirement Plan Services
Steve Cady, Research and Policy Director, Office of the Comptroller
Janelle Jensen, Senior Committee Coordinator, County Clerk